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# State-run banks want higher capital support from government in FY18

By ET Bureau | Updated: Dec 21, 2016, 11.49 AM IST

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NEW DELHI: State-run lenders on Tuesday made a case for higher capital support from the government in FY18, stating that there may be an increase in bad loans. The demand was supported by the [Reserve Bank of India](#).

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Banks and other financial institutions further sought an extension of the 60-day period given by [RBI](#) for repayment of housing, car, farm and other loans worth up to Rs 1 crore before classifying them as substandard. The relaxation was provided in view of the cash crunch due to demonetisation. "Normal business has been impacted due to [demonetisation](#) and mostly lending towards small businesses.

There can be loan defaults," said one of the members who attended the pre-budget meeting of heads of banks and financial institutions with finance minister [Arun Jaitley](#). The loan classification relaxation is also available to entities running working capital accounts with any bank with the sanctioned limit of Rs 1crore or less.

In a statement, the finance ministry said finance minister Jaitley noted that the current financial year is not a conventional one as many major reform decisions have been taken. Jaitley said that he doesn't see any serious challenges as far as structural changes are concerned.

"It was suggested that there is need for recapitalization of banks in the current financial year 2016-17 as well as in the next financial year 2017-18. There is need for full tax exemption for [NPA](#) (non-performing assets) provisioning by the banks keeping in view their profitability," the finance ministry noted in its statement.

Gross NPAs for public and private sector banks were at around Rs 6 lakh crore as of June 2016. Under the Indradhanush roadmap announced last year, the government will infuse Rs 10,000 crore in staterun lenders in 2017-18. In this fiscal, the government has allocatedRs 22,915 crore for 13 state-owned banks. Of this, 75% has already been released to these banks.

The ministry in its statement said that it was informed that the overall sentiment on demonetisation in rural areas, including among the farmers, is largely positive. "However, four sectors need special attention," it said, specifying vegetable growers, brick kiln labourers, transport industry in rural India and plantations in the south.

[Axis Bank](#) specifically listed steps taken by management against some officials over unauthorised currency exchanges. The bank assured the finance minister that it was fully committed to the highest level compliance on banking and government prescribed norms and standards, the ministry said in its statement.

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